

# The ANNALIST

A Magazine of Finance, Commerce and Economics

## The Annalist Barometer of Business



### Finance:

	Per Cent.
Federal Reserve Ratio . . . . .	76.1
Money Rates in New York: Call . . . . .	4 1/2 to 5 1/2
Time . . . . .	5

### Production:

	April Record
Unfilled Steel Orders . . . . .	7,290,509 Tons
Pig Iron Production, Daily . . . . .	118,252 Tons
Building Permits in 151 Cities. . . . .	Amount, \$319,134,433
Commercial Failures: 1,520. . . . .	Liabilities, \$51,491,941

### Prices:

	Week Ending, June 2
	High Low
Stocks, (Average of 50 issues) . . . . .	86.67 83.95
Bonds, (Average of 40 issues) . . . . .	78.02 77.72
Annalist Food Cost of Living . . . . .	178.035

### Transportation:

ITEM	Period or Date	1923.	Normal.	Per Cent. Departure from Normal
Revenue Car Loadings:				
Year to date.....	Jn.1-May 19	18,021,743	14,921,082	+20.8
Current week.....	May 19	991,797	800,712	+23.9
Grain and grain products.....	"	33,806	36,194	- 6.6
Coal and coke.....	"	197,069	151,906	+29.7
Forest products.....	"	77,653	57,244	+35.7
Manufactured products.....	"	584,938	488,673	+19.7
Freight car shortage.....	3d. Qr. May	20,585	25,518	-19.3
Per cent. of freight cars serviceable.....	May 1	90.8	90.0	+ 0.9
Per cent. of locomotives serviceable....	"	78.0	75.9	+ 2.8
Gross revenues.....	April	\$528,000,000*	\$411,117,819	+28.4
Expenses and taxes.....	"	\$450,000,000*	\$389,912,164	+15.4
Rate of return on tentative valuation:				
Year to date.....	Jan.-Apr.	5.35*	5.75	- 7.0
Current month.....	April	5.90*	5.75	+ 2.6

\*Estimated

New York, Monday, June 4, 1923

Vol. 21, No. 542

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## Forces and Trend in Business



It seems tolerably clear that the present slackening of business, wholly normal at this season of the year, is seriously complicated and exaggerated by a timidity and hesitation on the part of business which is neither normal nor justified. At the end of March there is little doubt that the business of the country had reached a point of expansion—or inflation, if you prefer—which was near the danger line; and that the sudden pulling-up which followed that March peak was a necessary precaution. In heeding the warnings of bankers and economists against allowing the psychological boom to run to an extreme, the business world showed an almost unprecedented self-control, for which it deserves high praise. But the situation today shows what might be called an undue projection from the virtuous self-restraint of a month ago. Business has gone so wholeheartedly into gazing upward at the stars of economic portent that it is actually leaning backward, and getting almost as much out of plumb by way of excessive caution as it was two months ago in the direction of headlong advance. This is the state of affairs indicated by all market signs—there is nothing visibly wrong, but every one is afraid to stir decidedly for fear he will later find that he is headed in the wrong direction.

What has actually happened—outside of the comparatively local congestion in the building trade—seems to be this. At the end of the business slump last year shelves were practically empty—retail trade was largely on a hand-to-mouth basis. With the slow revival of business there was a progressive restocking of shelves. With the increase of retail sales this restocking became more active until in the first three months of this year production was fully occupied in meeting current sales demands and completing the restocking of shelves. It should be obvious that this feverish production to replace stocks could not continue indefinitely. The producing capacity of the country is greater than its consuming capacity, and unless an appreciable portion of possible production can find an outlet in export trade it must be cut off as being an excess supply. This seems to be what has happened since March. The steady consuming capacity of this country is very large. The satisfying of it will sustain a high level of general business prosperity. And though the situation of the farming community at large makes its purchasing power at present rather lower than that of the industrial part of the population, there is no reliable indication that the general purchasing power of the country is appreciably inadequate to its very large aggregate needs.

Yet the present overcautious attitude of business seems to involve the assumption, or at least the fear, that something has happened to diminish the absorbing power of the country, while, on the contrary, there are no credible signs of any such untoward condition. Rashness in forward commitments is no more desirable now than at any other time. But on the other hand, the prevalent hesitation to go forward without being pushed by an insistent demand is not clearly very much wiser than a measure of rashness. Overcaution, of course, avoids the greater number of commercial perils, but it equally sacrifices probable safe gains. On the side of sacrificing safe gains, moreover, overcaution means an increasing limitation on any gains of consequence. It is a question whether business has even yet grasped the full meanings of the idea in the phrase "cycle" of business. The rise and fall of the financial curve from slump to boom and back to slump is, of course, now familiar enough; but this rising and falling curve is in a sense the track on which runs an independently revolving cycle, or wheel, made up of an endless flow of orders, production,

sales, orders, production, and so on repeatedly. It is wise and well to rectify the grades of the main cycle track; but of what use is a track of good grades if there is nothing worth while to run on it? We became familiar during the recent slump with exhortations to manufacturers to "get out and sell." It is a strange situation that the same urgent advice should apparently be needed on the present high level of business.

Among factors which suggest caution—aside from the adjustment to reasonably explored consuming powers which is the daily duty of business—the two which are perhaps least easily estimated are the purchasing power of the farming community and the possibilities of radical political action in the next Congress. There is still an undue spread between the general price level of farm products and the price level of commodities the farmer wants to buy; and until this spread is abolished the purchasing power of the farmer will have to be allowed for in estimating the consuming power of the nation as a whole. Some uneasiness on the score of radical political "economics" is unavoidable. But it seems fairly clear that no such political moves can have great effect inside of the next six months, and business is not now called on to commit itself in any large measure for more than that length of time ahead. And as that limit comes nearer, the prospect will pretty certainly become clearer. Under all the circumstances, "Play ball" seems a justifiable counsel.

Among specific signs the stock market during the past week has reverted to its earlier air of indecision and waiting for some definite lead. The improved earnings of the railroads for April have continued the steadiness of the rails, but this has been almost the only consistent feature of the market. Commodity prices have fluctuated somewhat, with a number of decreases; copper, for instance, having been peddled to an extent which has strengthened the idea that it may go still lower if buyers wait a little. Cotton has been in a somewhat topsy-turvy state, with general bad weather logically warranting the idea of higher prices, while, on the other hand, decreased buying both for American mills and in England has pointed to a different prospect. Steel production continues high and without price change. New orders are somewhat smaller, buyers are no longer offering premiums for early delivery, and the industry is visibly approaching nearer to proper adjustment to an active but not feverish demand. Other commodities show no feature of outstanding significance. Everything is in a waiting mood.

One of the equivocal indications was the record of car loadings, which showed a total for the week of 991,797, a new high record for this year, and within 2½ per cent. of the highest known record, made on Oct. 14, 1919. Merchandise and miscellaneous freight loadings nevertheless declined by 3,404 cars, the increase in the total for the week coming from increased shipments of ores, forest products, coal, grain and live stock. It is difficult to see in this record any hint of declining business prosperity.

Figures for imports and exports during April showed an imports excess amounting to \$41,000,000, which brings the imports excess for the first four months of the year to \$88,900,000. April exports of raw cotton were less than half the volume in April of 1922, reflecting the fact in large part that British spinners, in the face of declining foreign markets for British cottons, cannot make money out of American cotton at its present price. Steel exports totaled about 180,000 tons in April, compared with 165,000 tons in March—an increase possibly due to lessened supplies from the Ruhr. March figures show that the

Continued on Page 782





bama as the type of candidate they would like to see the Democrats name in order to put Mr. Ford in a strategic position. And right there is where the opponents of the candidacy of William G. McAdoo are building their case against the McAdoo adherents, who, they say, really are booming Ford because they feel that the Ford danger would compel the nomination of McAdoo by the Democratic National Convention. There isn't the slightest doubt that Mr. McAdoo is a candidate for the nomination and that his friends believe that he could kill off any chance that Ford might have of making a respectable showing as an independent, and also that he would beat Mr. Harding. They contend that in the West Mr. McAdoo is the first choice of the people for the Democratic nomination, and that after McAdoo, the Democratic voters of the West, and many of the progressive and radical Republicans turn to Mr. Ford.

Apparently there is no reason to doubt that Mr. McAdoo has a strong hold upon the farming districts of the Middle West and West and that he also would get a heavy labor vote. It is believed here that Mr. McAdoo and Mr. McAdoo's friends have been quietly working for his nomination by the Democratic convention since 1920, and that, when the time comes, he will appear in a strong position. To a number of the political leaders it appears that Mr. McAdoo is in as strong, if not a stronger, position now than he was in 1920. If the Ford

danger is entirely removed by the time of the Democratic National Convention it may be possible for the forces of opposition to deadlock the convention as they did in 1920, because of the two-thirds rule, and select Governor Ralston of Indiana or another compromise candidate.

The present indications are, therefore, that President Harding will be renominated, unless the developments in the next Congress, which opens in December, bring about a direct repudiation of his administration by the progressive and radical elements, and this is not probable, although he may be forced into a compromise program and have railroad, bonus and tax bills not entirely to his liking made into law. At the moment, also, it appears that either McAdoo or Ralston or another compromise candidate will capture the Democratic nomination. The chances of Underwood appear slim. Mr. Ford, in the opinion of most observers, may safely be eliminated.

As to the plans of the progressive and radical forces of the Republican Party in the next Congress there is much discussion here which is having a reflection on the plans of the candidates and which is of importance to business as well. The La Follette group is talking about radical alterations in the Transportation law, with heavy cuts in transportation rates in commodities of the agricultural districts, and is almost certain to endeavor to speed up the more conservative program planned by the Administration. The task of the radicals will

be made more difficult, however, if voluntary readjustments are brought about in these rates by the carriers before Congress assembles. There seems to be a growing belief in political circles here that countervailing adjustments along this line may come.

The progressive groups say they are determined to pass soldier bonus legislation and also effect tax reforms which will provide for a tax on undistributed surpluses and possibly on stock dividends. The belief is now gaining ground that some compromise in regard to tax legislation will be sought by the Administration which will not place too severe a burden on industry and possibly lighten the burden somewhat where the small taxpayer is concerned. As to the bonus, it still seems probable that President Harding will veto such a measure unless Congress provides for a sales tax to meet the necessary expenditures. Progressive leaders assert that they will not pass sales tax legislation and will be able to rally sufficient strength to pass the bonus legislation over a Presidential veto.

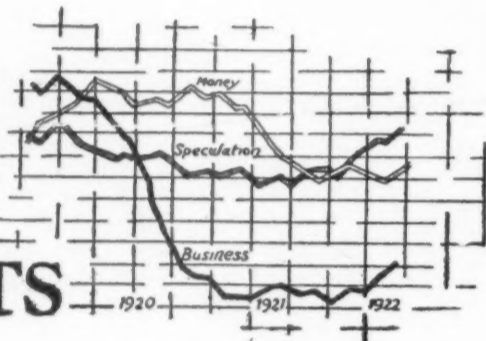
The prospect now is that President Harding will win out in his fight to have the United States participate in the Permanent Court of International Justice if he carries his fight to a conclusion. He has indicated that he will make the fight. Should an extended delay be threatened by parliamentary tactics, it is the purpose of the progressive elements to sidetrack the world court issue for the time being, and take up railroad and tax legislation.

The Harding Administration will most certainly do its best to check any program on the part of the radical groups which might threaten to discourage industrial activity, as prosperity will be one of the main issues of the Harding campaign for renomination and re-election. The Administration leadership is by no means as strong either in Senate or House as it was when the President went into power in 1921, and it would appear that comprises on many points under debate will be essential.

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